under the Stae Cooperative Act by superseeding the Managing Committee of the implementing agency.

Grant *ot* Cash Compensatory Support on the FOB value of exports

1227. SHRI RAJNI RANJAN SAHU. DR (SHRIMATI) SAROJINI ' MAHISHI;

Will the Minister of COMMERCE be pleased to state;

(a) whether it is fact that . his Ministry are allowing Cash Compen. satory Support on the FOB value of exports;

(b) if so, what is the rate allowed on exports of durgs;

(c) what was the total subsidy during 1988-89 and what is trend during the current year;

(d) whether it is also a fact that his Ministry are not allowing Cash Compensatory support on the actual expenditure

(e) if so, what are the basis on which such support is allowed and what is the procedure in this regard;

(f) whether it is also fact that his Ministry have allowed this support even in cases where import content used as inputs in the production of product exported was more than FOB value of exports; and

(g) if so, what are the details of such cases during the last two years and what steps have been taken to save loss of foreign exchange in such exports?

THE MINISTER OF COMMERCE AND TOURISM (SHRI ARUN KUMAR NEHRU); (a) to (g) CCS is allowed on a selective basis and is granted primarily with the objective of making the exported items-more competitive in the international market by compensating the Indian exporters for the elements of unrefunded indirect taxes and duties paid on the physically incorporated inputs of the exported goods. The CCS Scheme is based on the following princi-ples:-

(i) The main element for fixation of CCS rate is compensation for un-refunded indirect taxes like sales tax etc., which are not refundable through the duty drawback mechanism including the cascading effect due to Indian structure of taxation •

(ii) Disadvantage on **account** of higher freight due to various factors like low volume of trade, discriminatory freight rates adopted by the Conference Lines, etc may be compensated to the extent they are discriminatory;

(iii) Compensation for product/' market deveopment on selective

(iv) Special consideration for basis;

(v) Special consideration for handicrafts and handlooms by giving weightage to value added through labour;

(vi) The CCS rate is restricted to a cut-off point of 25% of value added (FOB realisation after deducing import content).

CCS at the 'rate of 15% of fob value is admissible on export of drug and drug intermediates not specified elsewhere excluding the items in the Negative List with effect from 1-4_1989.

Total CCS disbursement during 1988.89 is Rs. 1194.41 Crores. During 1989-90, the CCS disbursement is like ly to be of the order of Rs. 1775.03 crores, . •]